

LJM APPROVAL SHEET

Approval Sheet should be used to approve Enron's participation in any transactions involving LJM Cayman, L.P. ("LJM1") or LJM2 Co-Investment, L.P. ("LJM2"). LJM1 and LJM2 will collectively be referred to as "LJM". This Approval Sheet is in addition to (not in lieu of) any other Enron approvals that may be required.

GENERAL

Deal name: Project Backbone

Date Approval Sheet completed: June 30, 2000

Enron person completing this form: Brian Hendon

Expected closing date: June 30, 2000

Business Unit: EBS Global Finance

Business Unit Originator: Larry Lawyer

This transaction relates to ☐ LJM1 and/or ☒ LJM2.

This transaction is ☒ a sale by Enron ☐ a purchase by Enron ☐ a co-sale with Enron ☐ a co-purchase with Enron and/or ☐ other: _____

Person(s) negotiating for Enron: Larry Lawyer

Person(s) negotiating for LJM: Michael Kopper

Legal counsel for Enron: Vinson & Elkins (Jay Herbert)

Legal counsel for LJM: Kirkland & Ellis

DEAL DESCRIPTION

LJM2 will purchase, via a 7 year IRU, 38 strands of dark fiber from Salt Lake City, UT to Houston, TX (2,169 route miles) at \$1,100 per route mile for a total purchase price of \$90,664,200. EBS will provide a seven year seller finance note representing 70% of the purchase price plus seven years of O&M expense (\$4,099,200), the remaining 30% or \$28,429,083 will be paid in cash by LJM2 to EBS as equity for a total net purchase price of \$94,763,610. EBS will act as marketing agent for the resale of the LJM2 fiber to other third parties. EBS will also provide a liquidity facility, which will not exceed 5% of the purchase price and which will be utilized for any cash shortfalls (including taxes). The liquidity facility will be provided on the same terms and pricing as the seller note.

LJM2 is acquiring the dark fiber through a two-tier structure. LJM2-Backbone2, LLC, wholly owned by LJM-Backbone, LLC, will purchase the dark fiber and be the counterparty for future IRU's. LJM2-Backbone, LLC will guaranty the seller note to EBS and pledge its interest in LJM2-Backbone2, LLC as security therefore. LJM2-Backbone, LLC's only asset will be its interest in LJM2-Backbone2, LLC.

ECONOMICS

EBS will receive cash of \$28,429,083 and a seller note for \$66,334,527 at the 5.6-year average life interpolated Treasury plus 200bps. The net book gain will be approximately \$50,000,000. Proceeds from the sale of LJM2 fiber to other third parties will be allocated according to the following schedule: accrued interest on the seller note (20 year amortization schedule), accrued principal payment (20 year amortization schedule with a 7 year bullet payment), remaining cash will be distributed 70% toward the note principal and 20% to return the equity investment of LJM2. After repayment of principal and interest to EBS and return of and on equity to LJM2, all remaining funds will go to EBS through June 30, 2002. LJM2 will receive an 18% IRR on the initial investment if the dark fiber is sold by June 30, 2002. After June 30, 2002 EBS will receive 95% of excess proceeds with LJM2 receiving the remaining 5%. Additionally, LJM2's IRR will increase to 25% if EBS is not able to sell the dark fiber by June 30, 2002. The seller note pays principal and interest on an annual basis and the liquidity facility is in the form of a revolving credit. If the fiber is not sold, LJM2 retains all risk associated with the transaction.

H Attached is a copy of the DASH relating to the underlying transaction.

No update required.

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"FOIA CONFIDENTIAL
TREATMENT REQUESTED
BY ANDREW FASTOW"

GOVERNMENT
EXHIBIT
1826

Crim. No. H-04-25 (S-2)

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ISSUES CHECKLIST

1. **Sale Options**
 - a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:
☐ Conductor ☐ JEDI I ☐ Morgan ☐ EnSovCo ☐ Kwikide ☐ Chivros ☐ JEDI II
☐ Third Party ☐ Direct Sale Please explain: Prohibited during restructuring.
 - b. Will this transaction be the most beneficial alternative to Enron? ☐ Yes ☐ No. If no, please explain: _____
 - c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☐ No. Please explain: _____
2. **Prior Obligations**
 - a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☐ No.
 If yes, please explain how this issue was resolved: _____
 - b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☐ No. If yes, please explain: _____
3. **Terms of Transaction**
 - a. What are the benefits (financial and otherwise) to Enron in this transaction? ☐ Cash flow ☐ Earnings
☐ Other: _____
 - b. Was this transaction done strictly on an arm's-length basis? ☐ Yes ☐ No. If no, please explain: _____
 - c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
☐ Yes ☐ No. If yes, please explain: _____
 - d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☐ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☐ Yes ☐ No.
4. **Compliance**
 - a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☐ Yes ☐ No.
 - b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
☐ Yes ☐ No.
 - c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conflict of Business Affairs Policy? ☐ Yes ☐ No. If no, please explain: _____
 - d. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☐ Yes ☐ No. (The first annual review by the Audit Committee has not yet occurred.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☐ Yes ☐ No.

APPROVALS	Name	Signature	Date
Business Unit	Larry Lawyer		6/29/08
Business Unit Legal	Kristina Mordant		6/29/08
Enron Corp. Legal	Rex Rogers		6/29/08
Global Finance Legal	Scott Sefton		6/29/08
RAC	Rick Bay		6/29/08
Accounting	Rick Christy		
Executive	Jeff Sefton/Doc Sefton		

Underwritten by Enron Corp. and Enron Energy Services Inc. Approved under Enron's Policy.

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TREATMENT REQUESTED
BY ANDREW FASTOW"

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ISSUES CHECKLIST

Sale Options

a. If this transaction is a sale of an asset by Enron, which of the following options were considered and rejected:

☐ Condon ☐ JEDI I ☐ Margaux ☐ EnSerCo ☐ Rawhide ☐ Chewco ☐ JEDI II
☐ Third Party ☒ Direct Sale Please explain: Prohibitive timing constraints.

b. Will this transaction be the most beneficial alternative to Enron? ☒ Yes ☐ No. If no, please explain: _____

c. Were any other bids/offers received in connection with this transaction? ☐ Yes ☒ No. Please explain: _____

2. Prior Obligations

a. Does this transaction involve a Qualified Investment (as defined in the JEDI II partnership agreement)? ☐ Yes ☒ No.
If yes, please explain how this issue was resolved: _____

b. Was this transaction required to be offered to any other Enron affiliate or other party pursuant to a contractual or other obligation? ☐ Yes ☒ No. If yes, please explain: _____

3. Terms of Transaction

a. What are the benefits (financial and otherwise) to Enron in this transaction? ☒ Cash flow ☒ Earnings
☐ Other: _____

b. Was this transaction done strictly on an arm's-length basis? ☒ Yes ☐ No. If no, please explain: _____

c. Was Enron advised by any third party that this transaction was not fair, from a financial perspective, to Enron?
☐ Yes ☒ No. If yes, please explain: _____

d. Are all LJM expenses and out-of-pocket costs (including legal fees) being paid by LJM? ☐ Yes ☒ No. If no, is this market standard or has the economic impact of paying any expenses and out-of-pocket costs been considered when responding to items 1.b. and 3.b. above? ☒ Yes ☐ No.

Compliance

a. Will this transaction require disclosure as a Certain Transaction in Enron's proxy statement? ☒ Yes ☐ No.

b. Will this transaction result in any compensation (as defined by the proxy rules) being paid to any Enron employee?
☐ Yes ☒ No.

c. Have all Enron employees' involvement in this transaction on behalf of LJM been waived by Enron's Office of the Chairman in accordance with Enron's Conduct of Business Affairs Policy? ☒ Yes ☐ No. If no, please explain: _____

d. Has the Audit Committee of the Enron Corp. Board of Directors reviewed all Enron/LJM transactions within the past twelve months? ☒ Yes ☐ No. (The first annual review by the Audit Committee has not yet occurred.) Have all recommendations of the Audit Committee relating to Enron/LJM transactions been taken into account in this transaction? ☒ Yes ☐ No.

APPROVALS

Business Unit

Larry Lawyer

Business Unit Legal

Kristina Mordaunt

Enron Corp. Legal

Rex Rogers

Global Finance Legal

Scott Sefton

RAC

Rick Buy

Accounting

Rick Causey

Executive

Jeff Skilling/Joe Sutton

Signature

Date

6/29/00

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